



Navigating Trump's New Tariffs: Impact Analysis and Mitigation Strategies

Feb 07, 2025

Categories:

[Presidential
Administration Impacts
Publications](#)
[Tariffs & Economic
Impacts](#)

Authors:

[Jan de Beer](#)
[Zachary D. Mills](#)
[Aaron R. Rodgers](#)

President Donald Trump's February 1, 2025, executive orders directing the imposition of tariffs on China, Mexico, and Canada highlighted the significant impact that American trade policy can have on nearly every facet of the U.S. economy. While Mexico and Canada have been spared for at least a month, an additional 10% duty has been placed on essentially all goods imported from China, adding to existing tariffs on Chinese-origin goods. China has retaliated with the imposition of a 15% tariff on coal and liquefied natural gas products, as well as a 10% tariff on crude oil, agricultural machinery and large-engine cars imported from the U.S. President Trump has also threatened tariffs on the [European Union](#) and BRICS nations to address trade deficit concerns and prevent the adoption of a [new BRICS reserve currency](#).

Given the uncertainty surrounding the implementation of new tariffs by the United States and the potential for retaliatory tariffs by targeted countries, it is essential that businesses involved in international trade understand the impact of these policies and develop plans to mitigate the negative effects of tariffs. While wide-ranging tariffs are sure to impact several sectors of international trade, choosing the most effective tariff-mitigation strategy can alleviate some of the potential negative effects of tariffs.

Economic Impacts

President Trump has indicated his desire to levy additional duties on imported goods to protect U.S. businesses, benefit domestic jobs, raise tax revenue, and achieve foreign policy goals, such as reducing fentanyl trafficking. While tariffs can serve economic and political objectives, they also introduce challenges for businesses reliant on international supply chains. Tariffs, especially those targeting major U.S. trade partners, can significantly increase production costs, affecting the bottom line for businesses and the

prices paid by consumers.

The imposition of a blanket 10% tariff on Chinese imports necessarily alters the cost structure for businesses that rely on Chinese imports. Increased costs resulting from higher import duties may force companies to reassess their pricing strategies, either by absorbing higher expenses or passing those expenses on to consumers. One key American industry that is likely to be affected by the tariffs on China is automobile manufacturing. The U.S. International Trade Commission estimates that \$15 to \$20 billion of automobile parts are imported from China annually. Electrified vehicles, in particular, are likely to be impacted by these tariffs, as China is a key supplier for electric vehicle components.

U.S. automobile manufacturers are also likely to feel the effects of the Chinese government's retaliatory tariffs targeting agricultural machinery and large-engine vehicles. While China remains a relatively small market for U.S. automakers, General Motors and Ford are looking to expand their international offerings to include large SUVs and pickups. With increased import duties on vehicles coming into China, consumer prices are likely to rise for these vehicles, suppressing Chinese demand.

The automobile market is only one of many sectors of the U.S. economy set to be impacted by President Trump's new tariffs. In 2022, the United States imported \$536.3 billion of goods from China. The modern U.S. economy relies heavily on complex global supply chains for raw materials, manufacturing, and distribution. Because of this interdependence, nearly every company will need to consider the impact of tariffs on its business.

Tariff Mitigation: Analysis and Implementation

While the Trump administration's tariffs are broad in their scope, businesses can implement a variety of tariff-mitigation strategies. To successfully implement a tariff-mitigation strategy, a company must first assess the potential impacts of tariffs on its business by monitoring current and future tariff announcements, reviewing financial exposure, and evaluating supply chain dependencies.

After analyzing the key points of a company's exposure to the tariff-related impacts, a mitigation strategy can then be formulated. While no single strategy suits the needs of all businesses, several general approaches can be implemented, including:

1. Engaging in Risk Management Supply Chain Diversification

- Evaluating alternative suppliers in regions with more favorable trade policies can reduce dependency on tariff-heavy imports. Nearshoring or reshoring production may be viable options depending on cost considerations, the application of free trade agreements, and the availability of domestic production capacity.

2. Revisiting Product Classification and Valuation

- Ensuring accurate tariff classifications and properly valuing imports can prevent overpayment and reduce compliance risks. A product classification review may also expose an opportunity to apply for tariff exemptions or reclassifications.

3. Utilizing Trade Programs and Agreements

- Many businesses can leverage free trade agreements, tariff drawback programs, or bonded warehousing to manage or defer costs. Participation in [Foreign-Trade Zones](#), or FTZs, can also provide significant cost savings.

4. Utilizing the First Sale Rule

- Businesses can reduce tariff liability by ensuring goods are purchased at the first sale price rather than the final resale price. This approach requires accurate documentation and compliance with U.S. Customs and Border Protection regulations to benefit from lower declared values.

5. Strategic Contract Negotiation

- Businesses may negotiate cost-sharing arrangements or tariff-specific price adjustment provisions with suppliers or customers to distribute the burden of tariffs.

6. Implementing Tariff Engineering Strategies

- In some cases, minor modifications to products or production processes can shift classification to a lower tariff bracket. A thorough review of the [Harmonized Tariff Schedule of the United States](#) is essential for this strategy.

Key Takeaways

Navigating the complexities of U.S. tariffs, particularly the sweeping changes to trade policy announced by the Trump administration, requires a tailored approach. Through careful analysis and implementation, a tariff-mitigation strategy can result in significant savings for businesses that rely on trade with the United States. In an era increasingly marked by uncertainty in international markets, such a strategy can impart a significant competitive advantage for your business.

Our experienced international trade attorneys stand ready to assist with any trade related matters, including developing plans to reduce the negative effects of tariffs. Please contact any member of our [Trade and Foreign Law](#) team for support.

Presidential Administration Impacts

Frost Brown Todd has a dedicated team closely monitoring the significant policy changes and their impact on businesses. We are committed to keeping our clients informed as these changes take effect and new information emerges. Visit our resource page for insight into the latest developments and their implications for business and industry.

[View Collection](#)

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.